GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Industries and Commerce Department – Special Package of incentives to M/s.Haldia Petrochemicals Ltd. (HPL), Kolkata under Industrial Development Policy 2015-20 to set-up a Crude to Chemical Manufacturing Complex comprising Refinery and Naphtha Cracker in Kakinada SEZ, East Godavari District – Orders-Issued.

INDUSTRIES AND COMMERCE (P&I) DEPARTMENT

G.O.Ms.No.1

Date:03-01-2019

Read the following:-

(1) Representations received from M/s.Haldia Petrochemicals Ltd. (HPL), Kolkata dated 07.12.2017, 19.07.2018,12.11.2018, 28.11.2018 and 29.12.2018.
(2) Preliminary project report dt.1-2-2018.
(3) Feasibility report dt.20-7-2018.
(4) Minutes of the State Investment Promotion Committee meeting held on 28.12.2018.
(5) Minutes of the State Investment Promotion Board Meeting held on 29-12-2018.
(6) G.O.Ms.No.6 Industries and Commerce (INF) Department Dated 10.01.2012

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ORDER

In the reference 1st read above, M/s. Haldia Petrochemicals Ltd., (HPL), Kolkata and its managing promoter company The Chatterjee Group with its affiliates and in association with other consortia partners (together defined as Promoter Company), proposes to set up a Crude to Chemical Manufacturing complex comprising refinery and Naphtha Cracker with an installed capacity of 9.5 MTPA, in Kakinada SEZ (Currently under evaluation), East Godavari District with an investment USD 9 Billion (INR 62,714 Cr) with a potential to create employment opportunity for 5000 direct employees in the State.

2. The proposed Crude to Chemical Complex envisages to process Middle Eastern crude feedstock to produce a variety of products such as Motor Spirit, Diesel, Polyethylene, Polypropylene, Para xylene (PX), Butadiene, Butane-1, carbon black feedstock, Sulphur etc. Details of the project are as tabulated below:

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Parameter	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative
Total Investment (INR Cr)	9,407	21,950	21,950	8,532	875	**62,714**
Total Capacity (MMTPA) From date of operation	5.7	7.6	9.5			**9.5**
Total Direct Employment	250	400	1000	1600		**5000**

3. In the references 3rd read above, M/s.Haldia Petrochemicals Ltd. (HPL) has requested for the following State Support Package to enable them to take decision to set-up a facility in the State.

(i) Refund on 100% SGST/VAT paid on finished products to Government of Andhra Pradesh.
(ii) Refund of 100% SGST/VAT paid on operation inputs sourced within Andhra Pradesh.
(iii) Maximum cap of 1.5 times of project cost as capitalized following IND AS. Duration of incentive period should allow realization of maximum cap on incentives.
(iv) All investments made within ten-year period from First Commercial Operation of the project shall qualify under the same incentive scheme.
(v) Financial closure: 14 months exclusivity period from date of MOU Signing to complete Financial closure. Extendable for 12 months in case of delay in land acquisition and/or environment clearance
(vi) In case of Financial closure cannot be concluded even after extension for reasons attributable to project authorities, three months' notice shall be given for correcting the situation and in case of failure thereafter, exclusively may be taken away by facilitating suitable compensation for the cost incurred.
(vii) Incentive granted as above shall be guarded against downward impact due to any change in industrial policy
(viii) Development of road from the nearest highways and port to the project premises.
(ix) Rail connectivity to the nearest railhead to facilitate project dispatch through rail track
(x) 25 MGD of filtered water having low chloride content.

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(xi) Right of way for pipeline corridor: Feedstock crude will be imported through pipeline from the port and also bulk of the liquid product will be transported through pipeline from the plant

(xii) To provide land for township and necessary infrastructure like road, electricity and social infrastructure etc. and

(xiii) requested for other incentives as per IDP 2015-20.

4. In the references 2nd and 4th read above, the proposal was discussed in detail in the State Investment Promotion Committee meeting held on 28.12.2018 and State Investment Promotion Board meeting held on 29.12.2018. The State Investment Promotion Board discussed the proposal and noted that it is a major Petrochemical Refinery coming up in East Godavari District with 9.5 MTPA Capacity along with a cracker unit, which will create an ecosystem for development of downstream industries.

5. After detailed discussions, and considering the incentives provided in the case of Al Qebla Al Watya (Kharafi group) in the past vide in the reference 6th cited, the State Investment Promotion Board decided to extend the following incentives.

(i) 100% reimbursement of net SGST accrued to the state (tax paid in cash) and input tax credit including IGST paid against inputs and adjusted against SGST payable on goods produced and finally consumed in the state from the Date of Commencement of Commercial Production.

(ii) To consider the Investments made within 10 year period from Financial closure will be taken into account for purpose of incentive calculation.

(iii) All incentives will be limited to 100% of capitalized investment as per Ind AS or for a period of 40 years whichever is earlier.

(iv) 14 months exclusivity period from date of MOU signing, up to February 2020, to complete Financial closure. Extendable for 12 months in case of delay in land acquisition and/or environmental clearance where the reasons are not attributable to GoAP and HPL. The Board directed both the parties to arrive at detailed milestones with timelines and have regular periodic review.

(v) If the petroleum products continues to be in VAT regime post commercial production of M/s. Haldia Petrochemicals Ltd, suitable modifications shall be made to the MoU post negotiations to the mutual satisfaction of GoAP and M/s. Haldia Petrochemicals Ltd.

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(vi) VAT incentives so considered will be limited to that quantity of product produced at Haldia AP plant and sold only through Haldia retail outlets setup in AP.

(vii) One time Skill development assistance @Rs.2000 for the local people trained and employed.

(viii) All other incentives as per IDP 2015-20, which include

(a) 100% stamp duty and transfer duty reimbursement
(b) 25% limited to Rs.50.00 Crore for green measures
(c) 25% subsidy on green production equipment limited to Rs.5.00 Lakhs

(ix) With regard to providing Utility and external connectivity support like power, water and approach road till the boundary of Kakinada SEZ, the Board considered that an integrated plan to be prepared for the port and industrial infrastructure for the surrounding areas of the port. Therefore, the board directed the Prl.Secretary, E, I&I Department to include these infrastructure works in the trunk infrastructure being planned as a part of port development in Kakinada.

(x) GoAP to facilitate Right of Way for pipeline corridor and land allotment for land outside SEZ Kakinada (Currently under evaluation)

6. The Government after careful consideration of the recommendations of the State Investment Promotion Board (SIPB), hereby extend the following incentives to M/s.Haldia Petrochemicals Ltd. (Promoter Company) for their proposed facility of Crude to Chemical manufacturing complex comprising refinery and Naphtha Cracker with an installed capacity of 9.5 MTPA, in Kakinada SEZ (currently under evaluation), East Godavari District with an investment USD 9 Billion (INR 62,714 Cr) with a potential to create employment opportunity for 5000 direct employees in the State.

(i) 100% reimbursement of net SGST accrued to the State (tax paid in cash)+ input tax credit including IGST paid against inputs and adjusted against SGST payable on Goods produced and finally consumed in the State from the Date of Commencement of Commercial Production.

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(ii) To consider the Investments made within 10 year period from Financial closure will be taken into account for purpose of incentive calculation.

(iii) To limit all incentives to 100% of capitalized investment as per Ind AS or for a period of 40 years whichever is earlier.

(iv) 14 months exclusivity period from date of MOU signing, upto Feb 2020, to complete financial closure. The period will be extendable for 12 months in case of delay in land acquisition and/or environmental clearance for the reasons are not attributable to GoAP and HPL and directed both the parties to arrive at detailed milestones with timelines and have regular periodic review.

(v) In case, the petroleum products continues to be in VAT regime post commercial production of M/s. Haldia Petrochemicals Ltd, suitable modifications shall be made to the MoU post negotiations to the mutual satisfaction of GoAP and M/s. Haldia Petrochemicals Ltd.

(vi) VAT incentives so considered will be limited to that quantity of product produced at Haldia Petrochemicals Limited's AP plant and sold only through Haldia Petrochemicals Limited's retail outlets setup in Andhra Pradesh.

(vii) One time Skill development assistance @Rs.2000 for the local people trained and employed.

(viii) All other incentives as per Industrial Development Policy 2015-20 post Commencement of Commercial Production, which include;

(a) 100% stamp duty and transfer duty reimbursement.
(b) 25% limited to Rs.50.00 Crore for green measures.
(c) 25% subsidy on green production equipment limited to Rs.5.00 Lakhs

(ix) In view of the need for an integrated plan for the port and industrial infrastructure for the surrounding areas of the Kakinada Port, the Principal Secretary to Government, Energy, I&I Department is directed to include Utility and external connectivity like power, water and approach road required till the boundary of Kakinada SEZ in the trunk infrastructure being planned as a part of port development in Kakinada. Further, Government of Andhra Pradesh will consider to facilitate for Right of Way for pipeline corridor, land allotment for land outside SEZ Kakinada.

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7. The V.C & M.D, APIIC, Vijayawada, Commissioner of Industries, Vijayawada and Energy, I&I Department shall take necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

SOLOMON AROKIARAJ
SECRETARY TO GOVERNMENT &CIP

To

The Commissioner of Industries, Government of Andhra Pradesh, Vijayawada.
The VC&MD, APIIC Ltd., Vijayawada.
The Principal Secretary to Government. E, I& I Department,
M/s Haldia Petrochemicals Ltd., Bengal Eco Intelligent Park, Tower-I, Block-EM, Plot No.3, Salt Lake City, Sector-V, 3rd & 15th Floor, Kolkata – 700 091. West Bengal. through the Commissioner of Industries, Andhra Pradesh.

Copy to:
The Revenue (Lands) Dept.
The Revenue (CT) Dept.
The Revenue (R&S) Dept.
The PR& RD (PR) Department.
The EFS&T Department.
The Skill Development Department.
The MA& UD Department.
The H.M.& F.W. Department.
The TR&B Dept.,
The Law (H) Dept.,
The Energy, I&I Dept.
The EFS&T Dept.
The Finance (FMU I&C) Department.
The LET&F Dept.
The Collector& District Magistrate, East Godavari District.
The General Manager, District Industries Centre, East Godavari District.
The Zonal Manager, APIIC, East Godavari District.
PS to Principal Secretary to CM, CMO, A.P. Secretariat.
PS to Minister, Ind. & Com. A.P. Secretariat.
PS to Chief Secretary to Government, A.P. Secretariat.
PS to Secretary to Govt. & CIP, Ind. & Com. Dept. A.P. Secretariat.
SF/SC.

// FORWARDED BY ORDER //

SECTION OFFICER